



Dubai Debt Fears Hits Market Sentiment

Once again the euro has failed to hold the \$1.50 level versus the USD, with a spike in risk aversion on the back of fears about the Dubai debt situation and potential contagion effects in emerging markets pushing it back towards the \$1.49 level. There are also concerns about the level of debt exposure amongst European banks. Stocks came under pressure overnight, tracking falls on European markets after Dubai World asked for an extension in terms of meeting its debt obligations. European shares are expected to open in negative territory today, reflecting the current nervousness in markets. The spike in risk aversion is also helping the yen, which hit its highest level in 14 years versus the dollar in early morning trade. Trading below the Y85 level at one point, the yen also saw gains versus the euro, AUD and NZD. In an attempt to dent the yen's strength, Japan's Finance Minister raised the prospect of a G7 statement on disorderly currency movements but the comments had little real impact as many traders felt that such a statement was unlikely.

Sterling came under heavy selling pressure yesterday with sentiment hit by worries about British banks' exposure to debt problems in Dubai, as well as underlying concerns about the outlook for the UK economy. It fell sharply versus the dollar, while also dropping to a six week low versus the yen, with the overnight rebound in the dollar putting it under even further pressure. Meanwhile, the euro rose to one month highs above the Stg0.91p level, spurred on initially by its strong gains versus the USD going into yesterday. The closely watched European Commission sentiment indices are due for release this morning but risk appetite is likely to be the dominant factor in terms of setting the tone.

Geraldine Concagh, AIB Global Treasury

SHORT TERM INTEREST RATES				
Months	1	3	6	12
USD	0.23	0.25	0.48	1.00
JPY	0.16	0.30	0.50	0.71
EUR	0.44	0.72	0.99	1.24
GBP	0.51	0.61	0.84	1.21

LONG TERM INTEREST RATES		
Term	EURO (Annual)	GBP
2 Years	1.66	1.67
3 Years	2.07	2.27
4 Years	2.37	2.71
5 Years	2.62	2.97

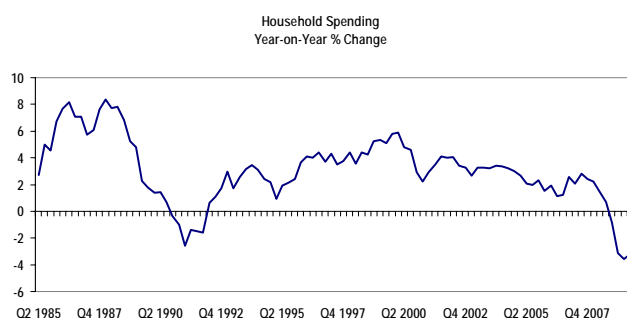
Euro S/Term interest rates Actual /360 : L/Term Actual Bond Basis

Today's Opening Rates (Mid-Rate)

USD/EUR	1.4832	NOK/EUR	8.567
GBP/EUR	0.9103	CHF/EUR	1.5087
USD/GBP	1.6296	AUD/EUR	1.6564
JPY/USD	86.18	NZD/EUR	2.109
JPY/EUR	127.84	HKD/EUR	11.4957
SEK/EUR	10.5053	CAD/EUR	1.5898
DKK/EUR	7.4418	EUR/GBP	1.0979

Indices		Dow	10464.40	31.44	
FTSE	5194.13	-170.68	ISEQ	2791.7	-80.24
Nikkei	9257.20	28.44	Nasdaq	2176.05	2.05

Survey Evidence Points to Healthy Spending on UK High Street



The CBI distributive trades survey for November indicated that retail activity on the UK high street should be reasonably solid over the Christmas period. The rise in the reported sales balance from October's +8 to +15 (which was better than expected and the highest reading since August 2007) suggests y-o-y growth of around 5%. While recent survey evidence has tended to be somewhat rosier than the official data, the improvement in the index certainly indicates that retail spending is holding up reasonably well in the face of a weak economy and rising unemployment. Spending off the high street, however, remains weak as borne out by the fact that total household consumption was flat in Q3. In year-on-year terms total household spending was down 3.2% in Q3, compared to an annual decline of 3.6% in the previous quarter.



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